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C O N F I D E N T I A L SECTION 01 OF 06 JAKARTA 001336

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SUBJECT: AA/S MCNERNEY ADVANCES NONPROLIFERATION AGENDA IN
JAKARTA

REF: JAKARTA 1257

Classified By: Regional Stability Unit Chief Daniel Turnbull, reasons 1
.4(b+d).

11. (U) SUMMARY: During a June 25-27 visit to Jakarta, AA/S
McNerney discussed U.S. nonproliferation priorities with
Indonesian counterparts. Discussions covered the
Nonproliferation Treaty (NPT), including the recent NPT
PrepCom meeting, the reduction of U.S. nuclear arsenals and
U.S. initiatives to promote peaceful nuclear cooperation;
Iran's nuclear program; the agreement with North Korea on
first steps toward dismantling its nuclear program; the
Proliferation Security Initiative (PSI); Burma's nuclear
program; the Biological Weapons Convention (BWC); the Arms
Trade Treaty and the Global Nuclear Energy Partnership
(GNEP). Signing of the Biosecurity Engagement Program (BEP)
with the Eijkman Institute for Molecular Biology was delayed
in light of GOI sensitivities over bilateral health
cooperation. END SUMMARY.

12. (U) During a visit to Jakarta on June 25-26, Acting
Assistant Secretary Patricia McNerney discussed
nonproliferation and other bilateral security issues with Dr.
Desra Percaya, Director for International Security and
Disarmament at the Department of Foreign Affairs (DEPLU).
Details of that discussion appear below. McNerney also met
with Dr. Hudi Hastowo, Chairman of the Indonesian Atomic
Energy Agency (BATAN) and with As Natio Lasman, Chairman of
the Indonesian Nuclear Regulatory Agency (BAPETEN). Making
points similar to those in the discussion with Percaya, she
focused in particular on U.S. and other international
programs on reliable access to nuclear fuel and stressed the
importance of having strong safety, security and
nonproliferation measures in place for countries considering
civil nuclear development.

NPT

13. (C) Regarding the Nonproliferation Treaty (NPT), Percaya
noted that the recent meeting of the NPT Preparatory
Committee (PrepCom) in Geneva had agreed that Zimbabwe should
chair the NPT Review Conference. That plan would proceed,
despite international concern over recent political
developments in Zimbabwe. Indonesia did not believe there
had been any breakthroughs on substantive issues. The

Non-Aligned Movement (NAM) position was that peaceful uses of nuclear energy (PUNE) and disarmament needed to receive equal emphasis with nonproliferation. He noted that progress in the Six-Party Talks could be factored in.

¶4. (C) McNerney said Washington viewed the PrepCom as better than previous meetings and the meeting had at least moved through the agenda. Participants had worked to find common ground on civilian nuclear cooperation and on the issue of withdrawal from the NPT. Looking ahead to 2010, as the U.S. presidential election would constrain USG ability to negotiate, Administration officials were trying to focus on issues with bipartisan support. Regarding disarmament, U.S. nuclear weapons were now at half the level seen during the Cold War. President Bush had committed to reducing U.S. reliance on nuclear weapons. The U.S. nuclear arsenal was shrinking in real terms, and this was changing U.S. defense footing and posture. The record showed that the trend was in the right direction.

¶5. (C) McNerney outlined USG efforts to promote responsible civil nuclear development, pointing out the successful completion of memoranda of understanding with several Persian Gulf states. Significantly, all of these states, in contrast to Iran, had indicated their intention to rely on the market for their nuclear fuel supply. McNerney also discussed efforts to guarantee supplies of enriched uranium through programs such as U.S. down-blending of weapons-grade uranium, the Russian Anggarsk supply consortium, the UK bond proposal and the Nuclear Threat Initiative (NTI) Challenge Fund.

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¶6. (C) The relevant question for non-nuclear states, McNerney emphasized, was not their right to technology but the practical options that were available to enable them to acquire and use civilian nuclear technology. The time and cost of pursuing nuclear enrichment and reprocessing capability made it impractical for most states to do so. Emphasizing the right to certain nuclear technologies was the wrong debate. The real issue was how to advance responsible nuclear energy development.

¶7. (C) McNerney noted that Washington was very concerned about NPT treaty violators such as Iran, North Korea, and Syria and the cascade effect on other states in the region if Iran acquired its own nuclear capability: other states would want to develop the same capability. She argued that there needed to be clear consequences for violations.

¶8. (C) Percaya said it was good to see a U.S. commitment to disarmament, but that concerns remained whether steps taken so far adhered to principles of transparency, accountability and irreversibility. The NAM perception was that the United States could quickly reassemble the components of its former nuclear weapons. Percaya asked whether the USG had considered any steps to promote confidence building on disarmament in advance of the 2010 Review Conference (RevCon).

¶9. (C) Foregoing the right of acquiring peaceful nuclear technology was a national decision, Percaya noted, and the NPT does not identify clear-cut levels for permissible peaceful uranium enrichment and fuel development. This area needed to be explored further. Iran argued that if it surrendered its right to acquire nuclear technology, possessor states would continue to dominate Iran and the region. The focus of Washington's Iran policy was wholly on nonproliferation, Percaya noted, and was not accompanied by other dialogues that might offer Iran reassurance in this regard. He urged that the United States maintain contact with the Iranian people.

¶10. (C) McNerney said the next U.S. administration would need to decide how to proceed with disarmament, but she expected reductions would continue consistent with national security interests. She noted that the United States still opposed

the Comprehensive Test Ban Treaty (CTBT). Over half of the Senators had voted against it when it came before the Senate during the Clinton Administration. Therefore, she cautioned against overly optimistic expectations of a change in the U.S. position regardless who became president.

¶11. (C) McNerney reiterated the expenses and difficulties in enriching uranium and argued that purchasing a turnkey facility using fuel from the market is a more pragmatic and practical way to develop a civil nuclear industry without proliferation concerns.

IRAN

¶12. (C) Percaya said Indonesia had told Iran it needed to comply with requirements of the United Nations Security Council and the International Atomic Energy Agency (IAEA) and had implicitly urged Iran to follow the Indonesian example. Indonesia had nuclear research, but this research was transparent to the IAEA. Indonesia had made clear its intention not to become a nuclear weapons state (NWS). Indonesia also lacked the missiles or other means of delivery needed to create a strategic weapon. Percaya acknowledged that Iran's coupling of its military and nuclear capabilities caused uncertainty and was very disturbing. Iran's statement that it had no intentions of developing a military nuclear capability was also hard to verify without close cooperation with the IAEA, he agreed.

¶13. (C) The real test for Iran, McNerney said, was reflected in the current IAEA Work Plan phase. Many questions remained unanswered. Iran had not been completely forthcoming on some of its activities, despite Iranian assertions. The UNSC resolutions required Iran to cease enrichment, and Iran had

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not complied with this requirement. For a state with peaceful intentions, Iran was going about its pursuit of civilian nuclear capability in a way that indicated exactly the opposite. The recent P5 1 offer delivered by EU High Representative Solana in Teheran, emphasized the benefits for Iran if Iran complied. Secretary Rice had emphasized her readiness to begin a dialogue once Iran ceased enrichment activities. The world could not allow Iran to continue these activities while talks were proceeding. Talks had to be productive and not a means simply to buy time while the activities continued.

¶14. (C) Placing pressure on Iranian financing was an increasingly important focus in international efforts regarding Iran, McNerney noted. The United States and the European Union had recently begun to emphasize the risks to banks from proliferation-related transactions. USG lists and other documents described the various means that were employed and the risks of providing financing for Iran's nuclear program. She urged that DEPLU highlight this to Indonesian banks and stress the need for vigilance. Another area of concern was trade in arms, including access to weapons exhibitions. Attention also must be paid to shipping. Iran was persistent and would exploit any weak spots it found.

¶15. (C) Percaya said Indonesia had formally responded to the UNSC on its compliance steps and was implementing its obligations under the various resolutions. There had been three interagency meetings so far, one specifically for financial agencies. Indonesia had no illicit trade with Iran, but had experienced pressure from suspect banks. Percaya noted that during bilateral meetings, Iran had proposed the opening of a branch of Bank Melli in Indonesia; the GOI refused. Indonesian financial organizations were open to guidance, and DEPLU had increasingly reminded stakeholders of the need for vigilance to comply with UNSC resolutions. Percaya asked whether Washington was likely to push for further actions and said Indonesia would have to carefully consider the implications for Indonesia of any such

steps.

¶16. (C) McNeerney argued that maintaining pressure on Iran could eventually tip the strategic calculus and shift Iranian public support or the Iranian regime's nuclear program. She noted that the USG remained committed to diplomacy as well as focusing energies on the full range of diplomatic activities and pressure, but the military option remained on the table. Libya sanctions took ten years to produce results but in the end they worked, McNeerney noted. It was important that the international community remain united and resolute on Iran, as we do not have ten years in this case.

DPRK

¶17. (C) McNeerney said that, according to the agreement that had been reached, North Korea was expected to provide a declaration of the amounts of plutonium that had been produced, regardless of whether tied to military programs. She noted that the USG has assessments of total plutonium production, but referenced Secretary Rice's speech the previous week on the importance of verifying the North Korean declaration. The next phase would focus on actual dismantlement as well as need to address the uranium enrichment issue.

¶18. (C) McNeerney noted that DPRK proliferation activities, including its suspected assistance to Syria, were a further area of concern. The Syrian plutonium reactor was almost an exact replica of the facility in Yongbyon, except that it was underground. The IAEA had visited Syria but had been denied access to some sites. The inspectors had been taken to the reactor site but many of their questions to Syria were unanswered. Syria had been just weeks away from adding the nuclear fuel, at which point any strike on the facility would have triggered the release of radiation. McNeerney urged Indonesia to help by pressing Syria to comply with the IAEA.

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¶19. (C) McNeerney stated that Washington was lifting the designation of North Korea under the Trading with the Enemy Act and was announcing to Congress the intention to remove North Korea from the List of State Sponsors of Terrorism. She noted this would have little effect on the actual sanctions, as they were also contained elsewhere and that the President would issue an Executive Order to cover the asset freeze provisions, but it was symbolically important. This action by no means indicated that it was now business as usual. She also noted progress on hostages and discussion of the Northeast Asia peace and security mechanism. She concluded that much work remained in moving to the next phase and that Washington was still testing the DPRK commitment to abandoning nuclear weapons. She urged that pressure must be maintained.

¶20. (C) Percaya noted that the United States technically was still at war with North Korea, but North Korea wanted U.S. recognition. McNeerney said North Korea had to abandon its weapons first, and noted that North Korea was still a dangerous regime due to its troops on the border with South Korea and its proliferation activities.

BURMA

¶21. (C) McNeerney said Washington had concerns about Burma's nuclear intentions. Burma had signed a nuclear cooperation agreement with Russia and many Burmese scientists were already training in Russia. She noted that Burma did not have the necessary regulatory infrastructure for a nuclear program and lacked transparency. She also expressed concern over Burma's military relations with North Korea. She urged Indonesia to encourage high standards for safety and security of civil nuclear programs in ASEAN and to keep watching Burmese development.

¶22. (C) Percaya agreed that Burma was one of the most

difficult regimes and that Indonesia was speechless and did not know what else it could do regarding Burma (Myanmar). Rangoon had spurned Indonesian and ASEAN efforts to assist after cyclone Nargis. President Yudhoyono had written a letter to the junta offering to convene a meeting in Indonesia for dialogue with democratic opposition groups. The junta had responded to the letter but had not taken up the offer. Indonesia was suspicious of Burma's intentions. Percaya said he would inform FM Wirajuda of the U.S. concerns.

PSI

123. (C) McNerney said 92 countries had now joined Proliferation Security Initiative (PSI), Saudi Arabia and Morocco being among the most recent. Morocco was also a leader in the Global Initiative against Nuclear Terrorism (GI). PSI was consistent with the Law of the Sea and with other international legal authorities. Most of the operations, including interdictions, occurred in port or at borders, where host states had regular inspection regimes and broad legal authority inspect goods and cargo. There had been dozens of interdictions. An important question was what states should do with interdicted goods. PSI workshops and table-top exercises focused on how states could use the broad legal authorities given to them. PSI did not replace existing laws or arrangements: it only facilitated the sharing of information and interdiction actions consistent with national and international laws. Enforcement was a normal and necessary activity to ensure that laws and trading systems were not abused. Indonesia was important to these efforts because of its international waterways and its leadership in the NAM.

124. (C) Percaya said Indonesia's position on PSI had not changed; Indonesia remained unconvinced. The two main Indonesian concerns regarding PSI were its implications for existing international law and its existence outside the United Nations framework. Indonesia was somewhat more open to bilateral activities in lieu of PSI and would be willing

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to explore proposals in this direction. Percaya noted he had received an invitation to observe a PSI event in New Zealand in July. He had not decided whether to attend, and would review such invitations on a case-by-case basis. He asked who paid the cost if a ship were interdicted and no contraband were found.

125. (C) McNerney said every country had its own liability structure. The United States limited liability by national authorities. Inspections were not significantly time-consuming, and customs authorities normally could impound shipments for a reasonable period. Companies could sue, although there had been few, if any, such cases. Companies conducting illicit operations usually engaged in falsification of documents and were therefore not eager to rush to court. The effort was worth the small cost involved. Inspections usually occurred in port.

MEGAPORTS and CSI

126. (C) In response to Percaya's request, McNerney explained the difference between Megaports and the Container Security Initiative. There were many CSI ports around the world, but the program had a U.S. focus. Megaports involved the general monitoring of nuclear material regardless of its destination. The equipment could be local, although states generally needed some help with the technology. The program was one of deterrence, as proliferators generally would avoid ports equipped with Megaport inspection programs.

BWC

127. (C) Percaya asked whether there was any USG willingness to restart negotiations on a verification regime for the Biological Weapons Convention (BWC). McNerney said that the

USG position remained unchanged and that a reliable inspection mechanism was not viable. However, she noted that U/S John Rood had worked to outline common-ground areas for confidence-building activities. ISN/CTR Deputy Director Jason Rao noted that bio-safety and security legislation would provide the next generation of universal standards and that the USG was working to help harmonize and review such legislation, especially with Indonesia. This had not yet fed into the BWC, but Washington was interested in moving forward on this front.

ARMS TRADE TREATY (ATT)

¶28. (C) McNerney said the United States had agreed to participate in the small group discussions under an arrangement with the United Kingdom, but noted USG wanted to ensure that the ATT would not lower standards and would incorporate proper end-use monitoring and controls. Percaya said agreement was needed on what kind of treaty it should be and what sort of arms should be covered, perhaps based on the UN registry.

GNEP

¶29. (C) Regarding the Global Nuclear Energy Partnership (GNEP) McNerney stressed again the need to steer away from an approach focused on rights and instead to focus on developing civil nuclear cooperation in a nonproliferation context. She explained the long-term approach and goals of GNEP in pioneering new technologies to reduce and minimize proliferation concerns from civil nuclear development and avert the dangers resultant from nuclear waste. She noted that the GNEP members at the Jordan meeting had agreed to invite Indonesia to join and she encouraged Indonesia to participate in the program.

NAMRU AND BEP

¶30. (C) Percaya noted the unfortunate circumstances that had led to the postponement of the signing of the Memorandum of Understanding on the Biosecurity Engagement Program (BEP) (reftel). While recognizing that the MOU was very different

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from the issues surrounding the Naval Medical Research Unit (NAMRU-2), DEPLU (MFA) had decided to postpone the BEP MOU signing due to the ill atmosphere and high tension surrounding NAMRU negotiations. Testimony in the legislature (DPR) on June 25 had taken an unexpected turn, with Health Minister Supari and several DPR members threatening to speak out more broadly against cooperation with the United States on health issues, including BEP.

¶31. (C) DEPLU had decided to preempt this by canceling the MOU signing, scheduled for the next day. It was better to "let the steam out," Percaya explained, and return to the NAMRU negotiations and the signing of the BEP MOU once the public attention had subsided. DEPLU needed time to educate Supari and DPR members. Percaya noted that President Yudhoyono and President Megawati had supported cooperation with the United States in health research and assured her the GOI did not want NAMRU to close and BEP cooperation would continue.

¶32. (C) McNerney expressed disappointment but understanding for the DEPLU decision. Noting that Supari herself had authorized the signing of the BEP MOU, McNerney said it was most important that current ongoing cooperation continue. The program had many benefits for Indonesia, and both sides should keep a long-term perspective. Ambassador Hume could sign the BEP MOU once conditions were favorable.

¶33. (U) AA/S McNerney cleared this message.
HUME